GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2715
ANSWERED ON:17.12.2008
DOLLAR RUPEE EXCHANGE
Verma Shri Bhanu Pratap Singh

Will the Minister of FINANCE be pleased to state:

(a)whether the cases of making forecast by certain banks regarding dollar-rupee exchange have come to the notice of the Government in the recent past;

(b)if so, the details thereof;

(c)whether Hedging Agreements are being made by exporters on the basis of such forecasts;

(d)if so, the details thereof and malpractices, if any, reported in this regard; and

(e)the appropriate action taken or proposed to be taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a)&(b)Some banks and financial institutions, particularly those which are active in international financial markets, routinely prepare and circulate to their clients and constituents, their in-house research assessment (with appropriate disclaimers) of the evolution of macroeconomic and financial sector variables (such as GDP growth, inflation, Government bond yield, exchange rate, etc). Some of these reports are placed in the public domain.

(c)&(d)Persons resident in India are permitted to enter into foreign exchange derivative contracts with Authorised Dealer (AD) banks to hedge an underlying exchange exposure in respect of a transaction for which sale and/or purchase of foreign exchange is permitted under the Foreign Exchange Management Act, 1999. As hedging market risks including currency risks entail an assessment of the future movements of key variables, some exporters make use of available assessments.

(e)The actual outcome in a volatile forex market might result in a loss or gain to the exporter depending upon the position taken. Apart from legal remedies available, the regulatory system in place in the forex market has sufficient safeguards and maintains vigil against any malpractice.